Tai Cheung Holdings Limited

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

(Stock Code: 88)

2013 ANNUAL REPORT

Contents

Financial Highlights

	2013 *HK$Million*	2012 *HK$Million*	Percentage Change
Profit Attributable to Equity Holders of the Company	**565.7**	737.9	-23%
Dividends	**185.2**	185.2	–
Total Equity	**5,699.6**	5,302.6	+7%
Earnings Per Share	**$0.92**	$1.19	-23%
Dividends Per Share	**$0.30**	$0.30	–

Corporate Information

Board of Directors

David Pun CHAN *Chairman and Managing Director*
Ivy Sau Ching CHAN
*Joseph Wing Siu CHEUNG
*Karl Chi Leung KWOK
*Man Sing KWONG
William Wai Lim LAM
Wing Sau LI

* *Independent non-executive directors*

Audit Committee

Karl Chi Leung KWOK *Committee Chairman*
Ivy Sau Ching CHAN
Joseph Wing Siu CHEUNG
Man Sing KWONG

Remuneration Committee

Karl Chi Leung KWOK *Committee Chairman*
Ivy Sau Ching CHAN
Man Sing KWONG

Nomination Committee

David Pun CHAN *Committee Chairman*
Karl Chi Leung KWOK
Man Sing KWONG

Company Secretary

Ivy Yee Har TAM

Bankers

Bank of Communications Co., Ltd
The Bank of East Asia, Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

Auditor

PricewaterhouseCoopers
Certified Public Accountants

Registered Office

26 Burnaby Street,
Hamilton HM 11,
Bermuda.

Head Office

20th Floor, The Hong Kong Club Building,
3A Chater Road, Central,
Hong Kong.
Telephone: 2532 2688, 2522 3112
Fax: 2810 4108
2868 5230
2877 2487
Website: www.taicheung.com

Principal Registrars

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street,
Hamilton HM 11,
Bermuda.

Registrars in Hong Kong

Computershare Hong Kong Investor Services Limited
Shops 1712-16,
17th Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai,
Hong Kong.

Depositary

The Bank of New York Mellon
American Depositary Receipts
101 Barclay Street,
22nd Floor,
New York, NY 10286,
U.S.A.

Directors

David Pun CHAN, SB HonLLD

David Pun CHAN, 62, joined the group in 1973, appointed a director of its holding company in 1975 and Chairman in 1981. He has more than 30 years' experience in construction, property development and investment businesses. Currently, he is a member of the MIT Sloan Asia Executive Board, a member of Council of Lingnan University, Life Honorary Chairman of The Chinese General Chamber of Commerce and a director of The Hong Kong Real Estate Developers Association. He is the brother of Ivy Sau Ching Chan, another director of the company.

Ivy Sau Ching CHAN, BA

Ivy Sau Ching CHAN, 60, has been a director of the group's holding company since 1981. She is currently a Partner with Messrs Woo, Kwan, Lee & Lo. She advises on legal matters of the businesses of the group. She is the sister of David Pun Chan, another director of the company.

Joseph Wing Siu CHEUNG, MS

Joseph Wing Siu CHEUNG, 67, appointed a director of the group's holding company in 2004. He is a director of The Garden Company Limited and its major subsidiaries ("The Garden Group") and has over 30 years' experience in manufacturing, sales and marketing management in The Garden Group.

Karl Chi Leung KWOK, BA MBA

Karl Chi Leung KWOK, 64, has been a director of the group's holding company since 1983. He has more than 30 years' management experience in the banking and finance businesses. He is Chairman of Wing On International Holdings Limited, Wing On Company International Limited, the Board of The Trustees of Chung Chi College of The Chinese University of Hong Kong and The Hong Kong – America Center, a member of University Council and Executive Committee of the Council of The Chinese University of Hong Kong, a trust member of The Outward Bound Trust of Hong Kong Limited, president of Hong Kong Sailing Federation, vice president of Sports Federation & Olympic Committee of Hong Kong, China, a director of Hong Kong Sports Institute and a Council member (Group J representative) of International Sailing Federation.

Man Sing KWONG, BASc CA (Canada)

Man Sing KWONG, 66, appointed a director of the group's holding company in 2006. He was with PricewaterhouseCoopers, Certified Public Accountants for more than 32 years, of which he was an audit partner since 1980 until he retired from the firm on 30th June 2002.

William Wai Lim LAM, BBus MBA CPA CPA(Aust.) CPA(US) FCCA

William Wai Lim LAM, 49, joined the group in 1996, appointed a director of its holding company in 2004. He has more than 25 years' experience in auditing, accounting, corporate finance and strategic planning. He is also the Financial Controller of the group.

Wing Sau LI, BA DipMS

Wing Sau LI, 60, joined the group in 1994, appointed a director of its holding company in 1997. Prior to joining the group, he worked as project manager of a project and construction management consultant company in Canada. He has more than 30 years' project management experience both in Hong Kong and Canada. He is also the Controller of Project Management and Construction division of the group.

Senior Management

Head of Sales and Property Management

Ting Wah YUEN, FCCA, 61, the Property Manager of the group. He joined the group in 1980 initially as accountant and subsequently transferred to the Sales and Property Management division in 1991. Prior to joining the group, he was an internal auditor with a listed company. He has more than 30 years' experience in commercial and public accounting, corporate auditing, property management and property sales.

Head of US Operations

Chi Hung POON, BA MSc MBA, 66, the President of the US Operations. He joined the group in 1988. He has more than 30 years' experience in property development, civil engineering and construction in the United States. He is the cousin of David Pun Chan and Ivy Sau Ching Chan, the directors of the company.

Head of Secretarial

Ivy Yee Har TAM, FCIS, 62, the Senior Secretarial Manager of the group. She joined the group in 1981, prior to which she was a chartered secretary and legal officer of an international company. She has more than 30 years' company secretarial experience.

Head of Information Technology

Wing Ip TANG, MBA, 63, the IT Manager and also the Senior Manager of Corporate Affairs of the group. He joined the group in 1979 initially as accountant and subsequently transferred to the Information Technology division in 1982. Prior to joining the group, he was an internal auditor with a listed company. He has more than 30 years' experience in commercial accounting, corporate auditing and information technology.

Head of Human Resources

Maggie Wai Man LAI, BBA MSc, 42, the Human Resources Manager of the group. She joined the group in 1994 and served at various positions within the Human Resources Department. Prior to joining the group, she worked for a large construction company. She has more than 15 years' human resources management experience.

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31st March 2013.

Principal Activities

The principal activity of the company is investment holding. The principal activities of its subsidiaries include property investment and development, investment holding and property management. Details are set out in note 35 to the financial statements.

An analysis of the group's performance for the year by reporting segment is set out in note 5 to the financial statements.

Results and Appropriations

The results of the group for the year are set out in the consolidated profit and loss account on page 21.

The directors declared an interim dividend of HK 11 cents per ordinary share, totalling HK$67.9 million, which was paid on 9th January 2013.

The directors recommend the payment of a final dividend of HK 19 cents per ordinary share, totalling HK$117.3 million, to persons registered as shareholders on 11th September 2013.

Reserves

Movements in the reserves of the group and the company during the year are set out in note 27 to the financial statements.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the group are set out in note 15 to the financial statements.

Financial Summary

A five year financial summary of the group is set out on page 70.

Borrowings

Details of the borrowings of the group are set out in note 25 to the financial statements.

Major Properties

Particulars of major properties of the group are set out on page 69.

Directors

The directors in office during the year and up to the date of this report are Messrs David Pun Chan, Joseph Wing Siu Cheung*, Karl Chi Leung Kwok*, Man Sing Kwong*, William Wai Lim Lam, Wing Sau Li and Ms Ivy Sau Ching Chan.

In accordance with Bye-law 84 of the company's Bye-laws, Mr. William Wai Lim Lam and Mr. Wing Sau Li retire from the board by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The company has received from each of its independent non-executive directors a confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The company is of the view that all independent non-executive directors are independent in accordance with the terms of the guidelines set out in Rule 3.13 of the Listing Rules.

None of the directors has a service contract with the company which is not determinable within one year without payment of compensation.

* Independent non-executive directors

Biography of Directors and Senior Management

The biographical details of the directors and senior management are set out on pages 3 and 4.

Directors' Interests

At 31st March 2013, the interests of the directors and chief executive in the shares of the company as recorded in the register maintained under section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

	Number of shares				
Name	Personal interests	Family interests	Corporate interests	Other interests	**Total**
David Pun Chan	118,399,971	–	*61,335,074	–	**179,735,045**
Ivy Sau Ching Chan	20,132,706	–	–	–	**20,132,706**
Karl Chi Leung Kwok	221,212	–	–	–	**221,212**
Wing Sau Li	73,000	–	–	–	**73,000**

* Such shares were held through a corporation wholly owned by Mr David Pun Chan.

All the interests disclosed above represent long positions in the shares of the company.

Save as disclosed above, no directors, chief executive or their associates had any interest or short position in the shares of the company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

During the year, the company did not grant to the directors or chief executive any right to subscribe for shares of the company.

No contracts of significance in relation to the group's business to which the company or its subsidiaries was a party and in which a director of the company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the company or any subsidiary a party to any arrangement to enable the directors of the company to acquire benefits by means of the acquisition of shares in, or debentures of, the company or any other body corporate.

Substantial Shareholders

At 31st March 2013, the register of substantial shareholders maintained under section 336 of the SFO showed that the company has been notified of the following interest, being 5% or more in the company's issued share capital. This interest is in addition to those disclosed above in respect of the directors and chief executive:

Name	Number of shares
*Chan Poon Wai Kuen	96,185,380

* Madam Chan Poon Wai Kuen is the mother of Mr David Pun Chan, a director of the company.

The interest disclosed above represents a long position in the shares of the company.

Save as disclosed above, the company has not been notified by any other person (other than a director of the company disclosed above) who has an interest or short position in the shares of the company which are required to be recorded in the register kept by the company pursuant to section 336 of the SFO.

Purchase, Sale or Redemption of Shares

The company did not redeem any of its shares during the year. Neither the company nor any of its subsidiaries purchased or sold any of the company's shares during the year.

Public Float

Based on the information that is publicly available to the company and within the knowledge of the directors, the company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

Pre-emptive Rights

No pre-emptive rights exist under Bermuda law in relation to the issue of new shares by the company.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the company were entered into or existed during the year.

Assets Value

The group's interest in Sheraton-Hong Kong Hotel is stated at cost less accumulated depreciation on the hotel land and buildings in accordance with the current accounting standards.

In order to fully reflect the underlying economic value of the group's hotel properties, the group considers it appropriate also to present to shareholders, as set out below, supplementary information on the group's statement of net assets on the basis that the group were to state these hotel properties at their open market valuations as at 31st March 2013.

	2013 (Unaudited) *HK$Million*	2012 (Unaudited) *HK$Million*
Non-current assets, including interest in associates	**236.6**	189.8
Add: Attributable revaluation surplus relating to hotel properties*	**3,072.0**	2,678.0
	3,308.6	2,867.8
Current assets	**5,719.3**	5,403.3
Current liabilities	**(256.3)**	(290.5)
Net current assets	**5,463.0**	5,112.8
Net assets as if the hotel properties were stated at open market value	**8,771.6**	7,980.6
Net assets per ordinary share as if the hotel properties were stated at open market value	**$14.20**	$12.92

* Based on open market valuations as at 31st March 2013 and 2012 respectively, carried out by DTZ Debenham Tie Leung Limited, an independent firm of professional valuers.

Major Suppliers and Customers

For the year ended 31st March 2013, the five largest suppliers and the largest supplier of the group accounted for approximately 92% and 82% respectively of the group's total purchases and the five largest customers and the largest customer of the group accounted for approximately 42% and 19% respectively of the group's revenue.

At 31st March 2013, none of the directors, their associates or any shareholder (which to the knowledge of the directors owned more than 5% of the company's share capital) had a beneficial interest in any of the group's five largest suppliers or five largest customers.

Operational Review

Liquidity and Financial Resources

The group's funding requirements are met with cash on hand, internally generated cash and, to the extent required, by external floating rate bank borrowings. Other sources of funds include dividends received from associates.

At 31st March 2013, the group's cash net of borrowings, was HK$2,060.2 million as compared with HK$2,909.4 million last year. The group's borrowing facilities were secured by certain properties held by the group with a total carrying value of HK$235.6 million. All the group's borrowings were denominated in United States dollars. The US dollar loans are directly tied in with the business of the group's United States operations, and therefore these loans are substantially hedged by assets in the same currency.

As at year end, all the group's borrowings were payable within one year.

The group strives to maintain its gearing ratio, which is calculated as the ratio of the bank borrowings to equity, at a low level. It was of 2.0% at 31st March 2013 as compared with 2.2% last year.

Committed borrowing facilities available to the group, but not drawn, at 31st March 2013 amounted to HK$40.1 million. Together with the receipts over the next twelve months from tenants and purchasers of the group's properties, the liquid funds of the group are adequate to meet the anticipated working capital requirement in the coming year.

Treasury Policy

The group's overall treasury and funding policy is that of risk management and control. The assets and liabilities of the group are denominated either in Hong Kong or United States dollars. Accordingly, the group has minimal exposure to foreign exchange fluctuation. However, the group will closely monitor the overall currency and interest rate exposures and, when considered appropriate, the group will take the necessary actions to ensure that such exposures are properly hedged.

Emolument Policy

The emolument policy of the general staff of the group is set up by the management of the group on the basis of their merits, qualifications and competence.

The emoluments of the directors and senior management of the company are reviewed by the Remuneration Committee, having regard to individual duties and market practices.

Human Resources

The group, excluding associates, employs a total of 214 people in Hong Kong and the United States. Employees' costs, excluding directors' emoluments, amounted to HK$54.5 million for the year ended 31st March 2013. Remuneration packages are reviewed annually with other employee benefits including medical subsidies, a non-contributory provident fund scheme and a mandatory provident fund scheme.

Contingent Liabilities

The company executed corporate guarantees as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries.

Corporate Governance

Details of the corporate governance practices of the company are set out on pages 11 to 18.

Connected Transactions

No transaction entered by the group during the year ended 31st March 2013 constituted a connected transaction under the Listing Rules.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
David P. Chan
Chairman

Hong Kong, 18th June 2013

(A) Corporate Governance Practices

During the year ended 31st March 2013, all those principles as set out in the Corporate Governance Code in Appendix 14 of the Listing Rules (the "CG Code") were applied by the company, and the relevant code provisions in the CG Code were met by the company, with the exception of certain deviations to be discussed below. The application of the relevant principles, and the reasons for the abovementioned deviations from the CG code provisions, are stated in the following sections.

(B) Directors' Securities Transactions

The company has adopted the Model Code set out in Appendix 10 of the Listing Rules as amended from time to time by the Stock Exchange. All directors have confirmed, following enquiry by the company, that they have complied with the required standard set out in the Model Code throughout the year.

(C) Board of Directors

(i) Composition of the Board, Number of Board/General Meetings and Directors' Attendance

The company's board has a balance of skills and experience and a balanced composition of executive and non-executive directors. The board comprises Mr David Pun Chan (Chairman and Managing Director), Mr William Wai Lim Lam and Mr Wing Sau Li as executive directors, Ms Ivy Sau Ching Chan as non-executive director and Mr Joseph Wing Siu Cheung, Mr Karl Chi Leung Kwok and Mr Man Sing Kwong as independent non-executive directors. Ms Ivy Sau Ching Chan is the sister of Mr David Pun Chan.

Four board meetings and an annual general meeting were held during the year ended 31st March 2013. The attendance of the directors is set out below:

Directors	Attendance at Board Meetings	Attendance at Annual General Meeting
David Pun Chan, *Chairman*	4	1
Ivy Sau Ching Chan	4	1
Joseph Wing Siu Cheung	4	1
Karl Chi Leung Kwok	4	1
Man Sing Kwong	4	1
William Wai Lim Lam	4	1
Wing Sau Li	4	1

Each director of the company has been appointed on the strength of his/her calibre, experience and stature, and his/her potential to contribute to the proper guidance of the group and its business. Apart from formal meetings, matters requiring board approval were arranged by means of circulation of written resolutions.

(ii) Operation of the Board

The company is headed by an effective board which takes decisions objectively in the interests of the company. The company's management has closely monitored changes to regulations that affect its corporate affairs and businesses, and changes to accounting standards, and adopted an appropriate reporting format in its interim report, annual report and other related documents to present a balanced, clear and comprehensive assessment of the group's performance, position and prospects. Where these changes are pertinent to the company or directors' disclosure obligations, the directors are either briefed during board meetings or issued with regular updates and materials to keep them abreast of their responsibilities and of the conduct, business activities and development of the group. Newly appointed directors receive briefings and materials on their legal and other responsibilities as a director and the role of the board. The company has also provided appropriate information in a timely manner to the directors to enable them to make an informed decision and to discharge their duties and responsibilities as directors of the company.

There is a clear division of responsibilities between the board and the management. Decisions on important matters are specifically reserved to the board while decisions on the group's general operations are delegated to the management. Important matters include those affecting the group's strategic policies, major investment and funding decisions and major commitments relating to the group's operations.

The company has arranged appropriate insurance cover in respect of legal actions against its directors and officers. The board reviews the extent of this insurance annually.

(iii) Re-election of Directors

Under the second part of code provision A.4.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Every director of the company, including those appointed for a specific term (save for any chairman or managing director under the company's Private Act which was enacted in Bermuda in 1990), shall be subject to retirement by rotation at least once every three years. Pursuant to section 4(g) of the Private Act of the company, any chairman or any managing director of the company shall not be subject to retirement by rotation under the Bye-laws.

(iv) Directors' Continuous Professional Development

The company encourages directors to participate in continuous professional development to develop and refresh their knowledge and skills needed for acting as a director of the company.

According to the training records provided by the directors to the company, all directors participated in continuous professional development during the year by reading materials or attending seminars on topics relevant to directors' duties and responsibilities.

(D) Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The company does not have a separate Chairman and Chief Executive Officer and Mr David Pun Chan currently holds both positions. The board considers that the combination of the roles of Chairman and Chief Executive Officer can promote the efficient formulation and implementation of the company's strategies to grasp business opportunities efficiently and promptly. Such arrangement, which has been adopted by many local and international corporations, enables the company to meet the rapidly changing business environment which needs quicker decision making to achieve business efficiency.

(E) Non-executive Directors

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election.

Non-executive directors of the company are not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meeting of the company in accordance with the company's Bye-laws.

(F) Board Committees

(i) Remuneration Committee

The company has set up a Remuneration Committee consisting of a non-executive director and two independent non-executive directors.

One Remuneration Committee meeting was held during the year ended 31st March 2013. Attendance of the Members is set out below:

Members	**Attendance at Meeting**
Karl Chi Leung Kwok, *Chairman of the Committee*	1
Ivy Sau Ching Chan	1
Man Sing Kwong	1

The main duties of the Remuneration Committee are to review and recommend remuneration policy and packages of directors and senior management of the company. The terms of reference of the Remuneration Committee are aligned with the code provisions set out in the CG Code and are available on the company's website.

The work performed by the Remuneration Committee for the year ended 31st March 2013 is summarized below:

(a) review of the company's policy and structure for all directors' and senior management remuneration;

(b) making recommendations to the board on the remuneration packages of individual executive directors and senior management; and

(c) review of the level of fees for directors.

The basis of determining the emoluments payable to its directors and senior management by the company is by reference to individual duties and market practices. The basis of determining the directors' fees (2012: HK$180,000 for each director) is by reference to the level of fees of similar nature normally paid by a listed company in Hong Kong to its directors. The directors' fees are subject to approval from time to time by shareholders at annual general meetings of the company.

(ii) Nomination Committee

The company has set up a Nomination Committee consisting of the Chairman of the board and two independent non-executive directors.

One Nomination Committee meeting was held during the year ended 31st March 2013. Attendance of the Members is set out below:

Members	**Attendance at Meeting**
David Pun Chan, *Chairman of the Committee*	1
Karl Chi Leung Kwok	1
Man Sing Kwong	1

The main duties of the Nomination Committee are to review the structure, size and composition of the board; and to identify, select and nominate suitable individuals for appointment as directors of the company. The terms of reference of the Nomination Committee are aligned with the code provisions set out in the CG Code and are available on the company's website.

The work performed by the Nomination Committee for the year ended 31st March 2013 is summarized below:

(a) review of the structure, size and composition of the board;

(b) considering the independence of each independent non-executive director; and

(c) making recommendation to the board on the re-election of retiring directors at the company's forthcoming annual general meeting.

No new members have been appointed to the board during the year.

(iii) Audit Committee

The company has set up an Audit Committee consisting of a non-executive director and three independent non-executive directors.

Two Audit Committee meetings were held during the year ended 31st March 2013. Attendance of the Members is set out below:

Members	**Attendance at Meetings**
Karl Chi Leung Kwok, *Chairman of the Committee*	2
Ivy Sau Ching Chan	2
Joseph Wing Siu Cheung	2
Man Sing Kwong	2

The main duties of the Audit Committee are to provide an independent review of the effectiveness of the financial reporting process and internal control system of the group. The terms of reference of the Audit Committee are aligned with the code provisions set out in the CG Code and are available on the company's website.

The work performed by the Audit Committee for the year ended 31st March 2013 is summarized below:

(a) approval of the remuneration and terms of engagement of the external auditor;

(b) review of the half-year and annual financial statements before submission to the board;

(c) review of the internal audit findings and internal audit plan;

(d) review of the effectiveness of the internal control system of the group;

(e) review of the external auditor's audit plan; and

(f) making recommendation to the board on the re-appointment of external auditor.

(iv) Corporate Governance Function

The board is responsible for performing the corporate governance duties including:

(a) develop and review the company's policies and practices on corporate governance;

(b) review and monitor the training and continuous professional development of directors and senior management;

(c) review and monitor the company's policies and practices on compliance with legal and regulatory requirements;

(d) develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and

(e) review the company's compliance with the CG Code and disclosure in the Corporate Governance Report.

(G) Auditor's Remuneration

The fees in relation to the audit and other services provided by PricewaterhouseCoopers, the external auditor of the company, amounted to HK$1.3 million and HK$0.1 million respectively.

(H) Internal Control

The directors are ultimately responsible for the internal control system of the group and, through the Audit Committee, have reviewed the effectiveness of the system. The internal control system comprises a well-defined organizational structure with specified limits of authority in place. Areas of responsibility of each business and operational units are also clearly defined to ensure effective checks and balances.

Procedures have been designed for safeguarding assets against unauthorized use or disposition, maintenance of proper accounting records, assurance of the reliability of financial information for internal use or publication and compliance with relevant legislation and regulations. Such procedures are designed to manage risks of failure in operational systems and can provide reasonable assurance against material errors, losses or fraud.

The internal audit function monitors compliance with policies and standards and the effectiveness of internal control structures across the whole group. The Internal Auditor reports to the Audit Committee.

A review of the effectiveness of the group's internal control system and procedures was conducted by the Audit Committee and subsequently reported to the board. The review covered all material controls, including financial, operational and compliance and risk management. It also considered the adequacy of resources, qualifications and experience of staff of the group's accounting and financial reporting function, and their training programmes and budget. Based on the result of the review in respect of the year ended 31st March 2013, the directors considered that the internal control system and procedures of the group were effective and adequate.

(I) Directors' Responsibilities for the Financial Statements

The directors acknowledge their responsibilities for overseeing the preparation of the financial statements for each financial year which give a true and fair view of the state of affairs of the company. In preparing the financial statements for the year ended 31st March 2013, the directors have ensured the selection of suitable accounting policies and consistent application thereof; made judgments and estimates that are prudent and reasonable, stated the reasons for any significant departures from applicable accounting standards in Hong Kong and ensured the going concern basis of presentation has been applied.

(J) Shareholders' Rights

(i) Convening a Special General Meeting

Pursuant to Section 74 of the Companies Act 1981 of Bermuda (the "Companies Act"), shareholders holding not less than one-tenth (10%) of the paid-up capital of the company carrying voting rights at general meetings of the company are entitled to make a requisition to the board to convene a special general meeting ("SGM").

The requisition stating the purposes of the meeting, duly signed by the requisitionists must be deposited at the registered office or head office of the company.

(ii) Putting Forward Proposals at General Meetings

Pursuant to Sections 79 and 80 of the Companies Act, shareholders holding not less than one-twentieth (5%) of the total voting rights of the company, or not less than 100 shareholders are entitled to put forward a proposal at a general meeting of the company.

The requisition specifying the proposal, duly signed by the requisitionists, together with a statement with respect to the matter referred to in the proposal must be deposited at the registered office or head office of the company.

(iii) Proposing a Person for Election as a Director

Details of the procedures for proposing a person for election as a director are available on the company's website.

(iv) Putting Enquiries to the Board

Shareholders may send their enquiries to the board in writing through the Company Secretary at the head office (e-mail: tcpl@taicheung.com).

(K) Constitutional Documents

There was no change to the company's Memorandum of Association and Bye-laws during the year.

Financial Results

I am pleased to report that the audited group profit attributable to the equity holders of the company for the year ended 31st March 2013 amounted to HK$565.7 million, as compared with the profit of HK$737.9 million last year. The decrease in earnings is mainly due to slower property sales as a result of government's property anti-speculative measures.

An interim dividend of HK 11 cents per share was paid on 9th January 2013. The board has recommended the payment of a final dividend of HK 19 cents per share to persons registered as shareholders on 11th September 2013. Subject to the approval of shareholders at the forthcoming Annual General Meeting, the final dividend will be payable on 17th September 2013 and the total dividend for the year will be HK 30 cents per share.

Property Development

Plans for the development of our Repulse Bay site have been submitted to various government departments for approval. Site formation and foundation plans have been approved.

Metropole Square, an industrial building in Shatin with approximately 430,000 sq.ft. has been given a formal approval by government for a Special Waiver for Conversion from industrial to office and shop uses. No land premium is payable. Alteration works for upgrading the building will commence in July this year.

As the US economy is improving, it is likely that our French Valley Airport Centre project in California will begin in the next twelve months.

Hotel

As the supply of new 5-star hotels is going to be limited over the next few years, the Sheraton-Hong Kong Hotel, in which your group has 35% interest, will continue to have satisfactory performance in the next few years.

The hotel management is studying various options to upgrade the shopping mall at the Sheraton in the near future to enhance its competitiveness and income potential. Some of the recent lease renewals are at substantially higher rental.

High-tech Investments

There are signs that the U.S. high-tech sector is recovering as evidenced by the sharp rise in NASDAQ shares since the lows in March 2009. It is expected that the performance of the funds that we have invested in will improve over the next few years.

Business Strategy

The group has been pursuing to build and manage quality properties mainly in Hong Kong, with focuses on luxury residential properties in recent years, delivering attractive and sustainable returns to our shareholders.

The group with its strong financials and past history in the business which allow it to identify and to acquire high potential new projects into our land bank at appropriate timing, taking account of the market outlook, with insights into the likely impact and with regard to market developments to achieve its long term goals.

Prospects

Hong Kong government has recently introduced anti-speculative measures to control rising property sales. However, the best way to contain property prices is not by administrative measures to suppress demand, but by increasing the supply of land and in turn residential units.

Sale of our shops and carparks have been brisk in the past year and we will continue to sell these types of property.

Our cash position is still very strong even after paying HK$1.67 billion for the Repulse Bay site last year. With the introduction of anti-speculative measures by government, it is a good opportunity for your group to increase its land bank further.

Finally, I would like to thank all staff for their loyal support and hard work.

David P. Chan
Chairman
Hong Kong, 18th June 2013

Consolidated Profit and Loss Account

(For the year ended 31st March 2013)

	Note	2013 HK$Million	2012 HK$Million
Revenue	5	**991.8**	1,381.9
Cost of sales		**(456.6)**	(642.9)
Gross profit		**535.2**	739.0
Other income	6	**22.2**	38.4
Administrative expenses		**(42.2)**	(55.8)
Impairment losses on available-for-sale financial assets		**–**	(1.6)
Operating profit	7	**515.2**	720.0
Finance costs	10	**(4.3)**	(4.6)
Share of results of associates, net of tax	17	**138.3**	126.9
Profit before income tax		**649.2**	842.3
Income tax expense	11	**(83.5)**	(104.4)
Profit attributable to equity holders of the company	12	**565.7**	737.9
Dividends	13	**185.2**	185.2
Earnings per share (basic and diluted)	14	**$0.92**	$1.19

Consolidated Statement of Comprehensive Income

(For the year ended 31st March 2013)

	Note	2013 HK$Million	2012 HK$Million
Profit for the year		**565.7**	737.9
Other comprehensive income:			
Fair value gains on available-for-sale financial assets	*27*	**16.5**	16.7
Impairment losses on available-for-sale financial assets transferred to consolidated profit and loss account	*27*	**–**	1.6
Exchange differences	*27*	**–**	(0.2)
		16.5	18.1
Total comprehensive income for the year and attributable to equity holders of the company		**582.2**	756.0

Consolidated Balance Sheet

(As at 31st March 2013)

	Note	2013 HK$Million	2012 HK$Million
Non-current assets			
Property, plant and equipment	15	**11.5**	11.9
Associates	17	**85.2**	72.5
Amount due from an associate	17	**24.6**	–
Available-for-sale financial assets	18	**114.1**	103.3
Mortgage loans receivable	19	**1.2**	2.1
		236.6	189.8
Current assets			
Properties for sale	20	**1,567.6**	1,929.0
Properties under development	21	**1,875.1**	190.1
Mortgage loans receivable	19	**0.1**	0.1
Debtors, deposits and prepayments	22	**102.1**	230.6
Amounts due from associates	17	**0.7**	25.3
Current income tax assets		**0.5**	–
Bank balances and cash	23	**2,173.2**	3,028.2
		5,719.3	5,403.3
Current liabilities			
Creditors, deposits and accruals	24	**86.0**	88.7
Borrowings	25	**113.0**	118.8
Current income tax liabilities		**57.3**	83.0
		256.3	290.5
Net current assets		**5,463.0**	5,112.8
Net assets		**5,699.6**	5,302.6
Equity			
Share capital	26	**61.7**	61.7
Reserves	27	**5,520.6**	5,123.6
Proposed final dividend	27	**117.3**	117.3
Total equity		**5,699.6**	5,302.6

Approved by the Board of Directors on 18th June 2013

David P. Chan
Wing Sau Li
Directors

Balance Sheet

(As at 31st March 2013)

	Note	2013 HK$Million	2012 HK$Million
Non-current asset			
Subsidiaries	*16*	**2,349.2**	2,349.2
Current assets			
Amount due from a subsidiary	*16*	**501.7**	496.8
Bank balances and cash	*23*	**4.1**	3.7
		505.8	500.5
Current liabilities			
Deposits and accruals	*24*	**5.9**	5.7
		5.9	5.7
Net current assets		**499.9**	494.8
Net assets		**2,849.1**	2,844.0
Equity			
Share capital	*26*	**61.7**	61.7
Reserves	*27*	**2,670.1**	2,665.0
Proposed final dividend	*27*	**117.3**	117.3
Total equity		**2,849.1**	2,844.0

Approved by the Board of Directors on 18th June 2013

David P. Chan
Wing Sau Li
Directors

Consolidated Statement of Changes in Equity

(For the year ended 31st March 2013)

	Note	2013 HK$Million	2012 HK$Million
Total equity at the beginning of the year		**5,302.6**	4,731.8
Profit for the year	27	**565.7**	737.9
Other comprehensive income:			
Fair value gains on available-for-sale financial assets	27	**16.5**	16.7
Impairment losses on available-for-sale financial assets transferred to consolidated profit and loss account	27	**–**	1.6
Exchange differences	27	**–**	(0.2)
Total comprehensive income for the year		**582.2**	756.0
Transaction with equity holders:			
Dividends	27	**(185.2)**	(185.2)
Total equity at the end of the year		**5,699.6**	5,302.6

Consolidated Cash Flow Statement

(For the year ended 31st March 2013)

	Note	2013 HK$Million	2012 HK$Million
Cash flows from operating activities			
Cash (used in)/generated from operations	33	**(704.1)**	1,178.7
Interest paid		**(4.3)**	(4.6)
Hong Kong profits tax paid		**(109.6)**	(104.2)
Net cash (used in)/generated from operating activities		**(818.0)**	1,069.9
Cash flows from investing activities			
Purchase of property, plant and equipment		**(0.1)**	(0.1)
Interest received		**21.9**	38.9
Amount advanced to an associate		**–**	(6.9)
Dividends received from associates		**125.6**	121.4
Additions to available-for-sale financial assets		**(8.3)**	(13.2)
Distributions from available-for-sale financial assets		**14.0**	27.5
Decrease in mortgage loans receivable		**0.9**	0.8
Net cash from investing activities		**154.0**	168.4
Cash flows from financing activities			
Repayments of borrowings		**(5.8)**	(5.4)
Dividends paid		**(185.2)**	(185.2)
Net cash used in financing activities		**(191.0)**	(190.6)
Net (decrease)/increase in bank balances and cash		**(855.0)**	1,047.7
Bank balances and cash at the beginning of the year		**3,028.2**	1,980.5
Bank balances and cash at the end of the year		**2,173.2**	3,028.2

1. General Information

Tai Cheung Holdings Limited is a limited liability company incorporated in Bermuda. The address of its registered office is 26 Burnaby Street, Hamilton HM11, Bermuda.

The company has its primary listing on The Stock Exchange of Hong Kong Limited.

The principal activity of the company is investment holding. The group is principally engaged in property investment and development, investment holding and property management.

2. Principal Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, and areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(b) New and revised Standards and Amendments to Published Standards effective in 2012/13 and adopted by the group

During the year, the group adopted the following amendment to the existing HKFRSs which is effective in 2012/13 and is relevant to its operations:

HKFRS 7 (Amendment)	Disclosures - transfers of financial assets

The group has assessed the impact of the adoption of this amendment, and concluded that there has been no significant impact on the group's results and financial position nor any substantial changes in the group's accounting policies.

2. Principal Accounting Policies (continued)

(c) New Standards, Improvements and Amendments to Existing Standards that are not yet effective

Certain new or revised standards, improvements and amendments to existing standards have been published which are relevant to the group's operations and financial statements and are mandatory for the group's accounting periods beginning on or after 1st April 2013 or later periods as follows:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1st July 2012
HKAS 27 (Revised 2011)	Separate financial statements	1st January 2013
HKAS 28 (Revised 2011)	Investments in associates and joint ventures	1st January 2013
HKAS 32 (Amendment)	Financial instruments: presentation - offsetting financial assets and financial liabilities	1st January 2014
HKFRS 7 (Amendment)	Financial instruments: disclosures - offsetting financial assets and financial liabilities	1st January 2013
HKFRS 9	Financial instruments	1st January 2015
HKFRS 10	Consolidated financial statements	1st January 2013
HKFRS 11	Joint arrangements	1st January 2013
HKFRS 12	Disclosure of interests in other entities	1st January 2013
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendment)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance	1st January 2013
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities	1st January 2014
HKFRS 13	Fair value measurement	1st January 2013
Annual improvements 2011		1st January 2013

The group is in the process of making an assessment of the impact of these new or revised standards, improvements and amendments to standards and is not yet in a position to state whether they would have a significant impact on the group's results and financial position.

2. Principal Accounting Policies (continued)

(d) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The group also assesses the existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. The financial information of subsidiaries has been changed where necessary to ensure consistency with the accounting policies adopted by the group.

(a) Business combinations

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated profit and loss account.

(b) Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated profit and loss account, as appropriate. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated profit and loss account.

2. Principal Accounting Policies (continued)

(d) Consolidation (continued)

(ii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(iii) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the consolidated profit and loss account where appropriate.

The group's share of post-acquisition profit or loss is recognised in the consolidated profit and loss account, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of associates' in the consolidated profit and loss account.

2. Principal Accounting Policies (continued)

(d) Consolidation (continued)

(iii) Associates (continued)

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. The financial information of associates has been changed where necessary to ensure consistency with the accounting policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated profit and loss account.

(e) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisitions of the items. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost or re-valued amount less their residual values over their estimated useful lives as follows:

Leasehold land classified as finance lease	Over their remaining lease term of 963 years
Buildings	Shorter of remaining lease term of 14 years or useful lives
Vehicles, fixtures and equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated profit and loss account during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(g)).

2. Principal Accounting Policies (continued)

(f) Properties under Development and for Sale

Properties under development are investments in land and buildings on which construction work and development have not been completed and are intended for sale upon completion. Properties under development are stated at the lower of cost and net realisable value. Cost comprises land acquisition costs and construction costs and amounts capitalised in respect of borrowing costs incurred during the construction period and up to the date of completion of construction. On completion, the properties are reclassified to properties for sale at the then carrying amount.

Properties for sale are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less selling expenses.

(g) Impairment of Investments in Subsidiaries, Associates and Non-financial Assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Financial Assets

The group classifies its financial assets into loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. The group determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables include mortgage loans receivable, debtors and deposits, bank balances and cash and amounts due from associates.

2. Principal Accounting Policies (continued)

(h) Financial Assets (continued)

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified as loans and receivables. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the balance sheet date.

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Both loans and receivables and available-for-sale financial assets are initially recognised at fair value plus transaction costs. Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income. Loans and receivables are subsequently carried at amortised cost (note 2(i)).

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated profit and loss account as gains and losses from investment securities.

The group assesses at the end of reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered an indication that the securities are impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that equity security previously recognised in the consolidated profit and loss account – is reclassified from equity to the consolidated profit and loss account. Such impairment losses are not reversed through the consolidated profit and loss account where there is subsequent increase in the fair value of the equity securities. In the case of loans and receivables, the impairment policy is set out in note 2(i).

2. Principal Accounting Policies (continued)

(i) Trade and Other Debtors

Trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the debtors. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated profit and loss account. When a debtor is uncollectible, it is written off against the allowance account for debtors. Subsequent recoveries of amounts previously written off are credited in the consolidated profit and loss account.

(j) Trade and Other Creditors

Trade and other creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated profit and loss account over the period of the borrowings using the effective interest method.

(l) Current and Deferred Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. Principal Accounting Policies (continued)

(l) Current and Deferred Income Tax (continued)

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates which are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except deferred income tax liability where the timing of the reversal of the temporary difference can be controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

(m) Financial Guarantees

A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The group does not recognise liabilities for financial guarantees at inception, but performs a liability adequacy test at each reporting date by comparing the carrying amount of the net liability regarding the financial guarantee with its present legal or constructive obligation amount. If the carrying amount of the net liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the consolidated profit and loss account immediately.

2. Principal Accounting Policies (continued)

(n) Revenue Recognition

Revenue comprises the fair value for the sale of goods and services in the ordinary course of the group's activities, net of discounts and after eliminating sales within the group. Revenue is recognised as follows:

(i) *Sales of properties*

Revenue on sales of properties is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the group maintains neither managerial involvement to the degree usually associated with ownership nor effective control over the properties sold and it is probable that future economic benefits will flow to the entity. The group considers that the significant risks and rewards of ownership are generally transferred upon execution of a binding sales agreement or the relevant occupation permits being issued by the authorities, whichever is the later.

(ii) *Rental income*

Rental income from letting the group's portfolio of properties is recognised on a straight-line basis over the lease term.

(iii) *Dividend income*

Dividend income is recognised when the group's right to receive payment is established.

(iv) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

(v) *Property management fee*

Property management fee is recognised when the services are rendered.

(o) Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease income from an operating lease is recognised on a straight-line basis over the lease term. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated profit and loss account on a straight-line basis over the lease term.

2. Principal Accounting Policies (continued)

(p) Employee Benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Provident fund scheme*

For the non-contributory defined contribution provident fund scheme, regular monthly contributions payable by the group at the rate specified in the trust deed are expensed as incurred. Contributions to the scheme by the group are calculated as a percentage of employees' basic salaries. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the group are reduced by the amount of forfeited contributions. The assets of the scheme are held separately from those of the group in funds under the control of a professional trustee and are managed by an independent fund manager.

For the mandatory provident fund scheme in Hong Kong, the group's contributions are set at 5% of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK$1,250 per employee per month, and are expensed as incurred.

(q) Foreign Currency Translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars (HK$), which is the company's functional and presentation currency.

2. Principal Accounting Policies (continued)

(q) Foreign Currency Translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated profit and loss account.

Translation differences on non-monetary financial assets and liabilities are recognised in the consolidated profit and loss account as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the revaluation reserve in equity.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings are taken to equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated profit and loss account as part of the gain or loss on disposal.

2. Principal Accounting Policies (continued)

(r) Borrowing Costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

(s) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is possible, it will then be recognised as a provision.

(t) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the directors of the company. The executive directors, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the steering committee that makes strategic decisions.

(u) Dividend Distribution

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the company's shareholders or directors, where appropriate.

3. Financial Risk Management

(a) Financial risk factors

The group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, cash flow interest-rate risk and price risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

3. Financial Risk Management (continued)

(a) Financial risk factors (continued)

(i) Foreign exchange risk

The group operates in Hong Kong and the United States but is exposed to limited foreign exchange risk as most assets and liabilities are denominated in HK dollars and US dollars.

The group has not entered into any forward contracts to manage the exposure to foreign exchange risk. When considered appropriate, the group will take the necessary actions to ensure that such exposure is properly hedged primarily through borrowings denominated in the relevant foreign currencies.

(ii) Credit risk

The carrying amounts of mortgage loans receivable, debtors and deposits, bank balances and cash and amounts due from associates represent the group's maximum exposure to credit risk in relation to financial assets. Credit risk is managed on a group basis.

The group has policies in place to ensure that sales and leases of properties and mortgage loans are made only to customers with appropriate credit histories. The group assesses the credit quality of the customer and the associates, taking into account its financial position, past experience and other factors. The group also has policies to require placement of rental deposits from tenants prior to commencement of leases.

The group places its deposits with reputable banks to mitigate the risk arising from banks.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The group aims to maintain flexibility in funding by keeping committed credit lines available.

The following table analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

3. Financial Risk Management (continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk (continued)

	Group Less than 1 year *HK$Million*
At 31st March 2013	
Creditors and deposits	**79.8**
Borrowings	**113.0**
Total	**192.8**
At 31st March 2012	
Creditors and deposits	78.7
Borrowings	118.8
Total	197.5

(iv) Cash flow interest-rate risk

The group's interest-rate risk arises from borrowings, mortgage loans receivable and amount due from an associate. Borrowings issued at variable rates expose the group to cash flow interest-rate risk. The group has not entered into any interest-rate swaps contracts as the exposure to interest-rate risk is not significant.

At the balance sheet date, if interest rates on borrowings had been 0.5% (2012: 0.5%) lower/higher with all other variables held constant, the post-tax profit of the group would increase/decrease by approximately HK$0.6 million (2012: HK$0.6 million) resulting from the change in the bank borrowing costs.

There is no significant exposure on cash flow interest-rate risk arising from mortgage loans receivable and amount due from an associate.

3. Financial Risk Management (continued)

(a) Financial risk factors (continued)

(v) Price risk

The group is exposed to equity securities price risk for available-for-sale financial assets held by the group. The group is not exposed to commodity price risk.

The carrying amount of the available-for-sale financial assets and the revaluation reserve (before any further impairment) of the group would increase/decrease by approximately HK$11.4 million (2012: HK$10.3 million) if the fair value of the available-for-sale financial assets were to increase/decrease by 10% (2012: 10%).

(b) Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the capital structure.

The directors of the company review the capital structure periodically and consider the cost of capital and the risks associated with capital. The directors of the company also balance its overall capital structure through the payment of dividends, new share issues as well as drawdown and repayment of borrowings.

The group's total capital is calculated as the sum of total equity and borrowings, as shown in the consolidated balance sheet. The company's strategy remained unchanged from the year ended 31st March 2012 and there was no significant change in the total capital during the year.

The group monitors capital by seeking to maintain a prudent gearing ratio based on prevailing market environment and economic condition. This ratio is calculated as bank borrowings to total equity.

The gearing ratios at 31st March 2013 and 2012 were as follows:

	2013	2012
	HK$Million	*HK$Million*
Total borrowings	**113.0**	118.8
Total equity	**5,699.6**	5,302.6
Gearing ratio	**2.0%**	2.2%

3. Financial Risk Management (continued)

(c) Fair value estimation

(i) Financial instruments

The disclosure of fair value measurements of the financial instruments is based on the following fair value measurement hierarchy:

- Quoted prices in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the group's assets and liabilities that are measured at fair value at 31st March 2013 and 2012.

	2013	2012
	Level 3	Level 3
	HK$Million	*HK$Million*
Assets		
Available-for-sale financial assets	**114.1**	103.3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments such as discounted cash flow analysis, are used to determine fair value for financial instruments.

The changes in level 3 instruments for the year ended 31st March 2013 are set out in note 18 to the financial statements.

(ii) Debtors and creditors

The nominal values less impairment provisions of debtors and creditors are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

4. Critical Accounting Estimates and Assumptions

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimate of net realisable value of properties for sale and properties under development

Net realisable value of properties for sale and properties under development is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling properties of similar nature. They could change significantly as a result of changes in market condition. Management will reassess the estimations at each balance sheet date.

(b) Estimate of fair value of available-for-sale financial assets

The fair value of available-for-sale financial assets that are not traded in an active market is determined by using valuation techniques. The group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

(c) Impairment of available-for-sale financial assets

The group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

4. Critical Accounting Estimates and Assumptions (continued)

(d) Revenue recognition

The group has recognised revenue from the sale of properties as disclosed in note 2(n). The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers and all other criteria for revenue recognition of sale of properties requires the examination of the circumstances of each of the transactions.

5. Revenue and Segment Information

The principal activity of the company is investment holding. The group is principally engaged in property investment and development, investment holding and property management.

Revenue recognised during the year, which is also the group's turnover, comprises:

	2013	2012
	HK$Million	*HK$Million*
Gross proceeds from sales of properties	**912.8**	1,291.6
Gross rental income from properties	**71.3**	82.6
Property management fees	**7.7**	7.7
	991.8	1,381.9

Segment information is presented on the same basis as that used by the directors to assess the performance of each reporting segment.

5. Revenue and Segment Information (continued)

(a) Revenue and profit attributable to equity holders of the company For the year ended 31st March 2013

	Property development and leasing *HK$Million*	Property management *HK$Million*	Hotel operation *HK$Million*	Investment holding *HK$Million*	Group *HK$Million*
Revenue	**984.1**	**7.7**	**–**	**–**	**991.8**
Operating profit	**492.3**	**4.1**	**–**	**18.8**	**515.2**
Finance costs	**(4.3)**	**–**	**–**	**–**	**(4.3)**
Share of results of associates, net of tax	**1.7**	**–**	**136.6**	**–**	**138.3**
Profit before income tax					**649.2**
Income tax expense	**(82.8)**	**(0.7)**	**–**	**–**	**(83.5)**
Profit attributable to equity holders of the company					**565.7**

5. Revenue and Segment Information (continued)

(a) Revenue and profit attributable to equity holders of the company (continued)

For the year ended 31st March 2012

	Property development and leasing *HK$Million*	Property management *HK$Million*	Hotel operation *HK$Million*	Investment holding *HK$Million*	Group *HK$Million*
Revenue	1,374.2	7.7	–	–	1,381.9
Segment results before provision	682.1	3.6	–	35.9	721.6
Impairment losses on available-for-sale financial assets	–	–	–	(1.6)	(1.6)
Operating profit	682.1	3.6	–	34.3	720.0
Finance costs	(4.6)	–	–	–	(4.6)
Share of results of associates, net of tax	1.3	–	125.6	–	126.9
Profit before income tax					842.3
Income tax expense	(103.8)	(0.6)	–	–	(104.4)
Profit attributable to equity holders of the company					737.9

5. Revenue and Segment Information (continued)

(b) Total assets and liabilities
As at 31st March 2013

	Property development and leasing *HK$Million*	**Property management** *HK$Million*	**Hotel operation** *HK$Million*	**Investment holding** *HK$Million*	**Group** *HK$Million*
Segment assets	**3,558.7**	**48.3**	**–**	**2,238.4**	**5,845.4**
Associates	**20.6**	**–**	**96.6**	**(6.7)**	**110.5**
Total assets					**5,955.9**
Segment liabilities	**198.1**	**50.8**	**–**	**7.4**	**256.3**
Net assets					**5,699.6**

As at 31st March 2012

	Property development and leasing *HK$Million*	Property management *HK$Million*	Hotel operation *HK$Million*	Investment holding *HK$Million*	Group *HK$Million*
Segment assets	2,366.8	46.3	–	3,082.2	5,495.3
Associates	18.8	–	85.5	(6.5)	97.8
Total assets					5,593.1
Segment liabilities	235.3	46.3	–	8.9	290.5
Net assets					5,302.6

6. Other Income

	2013 HK$Million	2012 HK$Million
Interest income	20.2	38.4
Investment income from available-for-sale financial assets	2.0	–
	22.2	38.4

7. Operating Profit

	2013 HK$Million	2012 HK$Million
Operating profit is stated after charging the following:		
Auditor's remuneration	1.3	1.3
Cost of property sales	436.1	607.2
Depreciation	0.5	0.5
Operating lease rentals in respect of land and buildings	9.8	9.8
Outgoings in respect of properties	1.7	2.3

8. Staff Costs

The amount of staff costs (excluding directors' emoluments as disclosed in note 9) charged to the consolidated profit and loss account represents:

	2013 HK$Million	2012 HK$Million
Salaries and allowances	51.5	50.0
Provident fund contributions less forfeitures *(note (a))*	3.0	2.9
Less: Staff costs capitalised under properties under development	(10.9)	–
Less: Recharge of staff costs to building management funds *(note (b))*	(25.5)	(24.3)
	18.1	28.6

Notes:

(a) No contributions forfeited by employees leaving the scheme were utilised to offset contributions during the year (2012: Nil). At the balance sheet date, there were no forfeited contributions (2012: Nil) available to reduce the contributions payable in future years. Contributions payable as at 31st March 2013 were HK$0.2 million (2012: HK$0.2 million).

(b) Recharge of staff costs represents reimbursement for property management services rendered.

9. Directors' and Senior Management's Emoluments

(a) Directors' emoluments

The remunerations of the directors for the year ended 31st March 2013 are set out below:

Name of director	Fees	Salaries and other emoluments	Discretionary bonuses	Provident fund contributions	Total
	HK$Million	*HK$Million*	*HK$Million*	*HK$Million*	*HK$Million*
David Pun Chan	**0.36**	**2.51**	**0.21**	**0.25**	**3.33**
William Wai Lim Lam	**0.18**	**1.26**	**0.10**	**0.13**	**1.67**
Wing Sau Li	**0.18**	**1.54**	**0.13**	**0.15**	**2.00**
Ivy Sau Ching Chan	**0.18**	**–**	**–**	**–**	**0.18**
Joseph Wing Siu Cheung	**0.18**	**–**	**–**	**–**	**0.18**
Karl Chi Leung Kwok	**0.18**	**–**	**–**	**–**	**0.18**
Man Sing Kwong	**0.18**	**–**	**–**	**–**	**0.18**
	1.44	**5.31**	**0.44**	**0.53**	**7.72**

The remunerations of the directors for the year ended 31st March 2012 are set out below:

Name of director	Fees	Salaries and other emoluments	Discretionary bonuses	Provident fund contributions	Total
	HK$Million	*HK$Million*	*HK$Million*	*HK$Million*	*HK$Million*
David Pun Chan	0.36	2.40	0.20	0.24	3.20
William Wai Lim Lam	0.18	1.20	0.10	0.12	1.60
Wing Sau Li	0.18	1.47	0.12	0.15	1.92
Ivy Sau Ching Chan	0.18	–	–	–	0.18
Joseph Wing Siu Cheung	0.18	–	–	–	0.18
Karl Chi Leung Kwok	0.18	–	–	–	0.18
Man Sing Kwong	0.18	–	–	–	0.18
	1.44	5.07	0.42	0.51	7.44

9. Directors' and Senior Management's Emoluments (continued)

(b) Senior management

(biographical details of members of senior management are set out on page 4)

(i) Of the five individuals with the highest emoluments, three (2012: three) of them are directors whose emoluments are disclosed in note 9(a) and two (2012: two) of them are senior management employees whose emoluments are disclosed as follows:

	2013 **HK$Million**	2012 HK$Million
Salaries and other emoluments	**2.5**	2.4
Discretionary bonuses	**0.2**	0.2
Provident fund contributions	**0.2**	0.2
	2.9	2.8

The above emoluments are analysed as follows:

	Number of employees	
	2013	2012
HK$1,000,001 - HK$1,500,000	**1**	2
HK$1,500,001 - HK$2,000,000	**1**	–

(ii) The emoluments of the remaining senior management employees fell within the following bands:

	Number of employees	
	2013	2012
HK$1,000,000 or below	**1**	1
HK$1,000,001 - HK$1,500,000	**2**	2

Note: The above emoluments include salaries and other emoluments, discretionary bonuses and provident fund contributions.

10. Finance Costs

	2013 **HK$Million**	2012 HK$Million
Interest on bank borrowings – bank loans wholly repayable within five years	**4.3**	4.6

11. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates prevailing in the countries in which the group operates.

	2013 HK$Million	2012 HK$Million
Current income tax		
Hong Kong profits tax	**83.5**	104.4

The taxation on the group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2013 HK$Million	2012 HK$Million
Profit before income tax	**649.2**	842.3
Less: Share of results of associates, net of tax	**(138.3)**	(126.9)
	510.9	715.4
Theoretical tax at a tax rate of 16.5% (2012: 16.5%)	**84.3**	118.0
Income not subject to tax	**(3.5)**	(6.1)
Expenses not deductible for tax purposes	**1.6**	1.8
Utilisation of previously unrecognised tax losses	**–**	(9.7)
Tax losses not recognised	**1.3**	0.4
Others	**(0.2)**	–
Income tax expense	**83.5**	104.4

Deferred taxation is calculated in full on temporary differences under the liability method using a principal tax rate of 16.5% (2012: 16.5%).

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. Deferred income tax assets of HK$57.5 million (2012: HK$58.7 million) arising from unused tax losses of HK$297.1 million (2012: HK$297.7 million) have not been recognised in the financial statements. These unused tax losses are to be carried forward in offsetting against the future taxable income.

11. Income Tax Expense (continued)

Included in such unused tax losses are amounts of HK$248.5 million (2012: HK$242.8 million) which have no expiry date. The remaining balance will expire at various dates up to and including 2033.

12. Profit Attributable to Equity Holders of the Company

The profit attributable to equity holders of the company is dealt with in the financial statements of the company to the extent of HK$190.3 million (2012: HK$190.4 million).

13. Dividends

	2013 *HK$Million*	2012 *HK$Million*
Interim, paid, of HK 11 cents (2012: HK 11 cents) per ordinary share	**67.9**	67.9
Final, proposed, of HK 19 cents (2012: HK 19 cents) per ordinary share *(note)*	**117.3**	117.3
	185.2	185.2

Note: At a meeting held on 18th June 2013, the directors proposed a final dividend of HK 19 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st March 2014.

14. Earnings Per Share

The calculation of earnings per share is based on the profit attributable to equity holders of the company of HK$565.7 million (2012: HK$737.9 million) and ordinary shares in issue of 617,531,425 (2012: 617,531,425). There were no potential dilutive ordinary shares outstanding during the year (2012: Nil).

15. Property, Plant and Equipment

Group

	Land and building *HK$Million*	Vehicles, fixtures and equipment *HK$Million*	**Total** ***HK$Million***
Cost			
Balance at 1st April 2012	11.1	35.6	**46.7**
Additions	–	0.1	**0.1**
Disposals	–	(0.2)	**(0.2)**
Balance at 31st March 2013	11.1	35.5	**46.6**
Accumulated depreciation			
Balance at 1st April 2012	0.4	34.4	**34.8**
Charge for the year	0.2	0.3	**0.5**
Disposals	–	(0.2)	**(0.2)**
Balance at 31st March 2013	0.6	34.5	**35.1**
Net book value			
Balance at 31st March 2013	10.5	1.0	**11.5**

	Land and building *HK$Million*	Vehicles, fixtures and equipment *HK$Million*	**Total** ***HK$Million***
Cost			
Balance at 1st April 2011	11.1	35.7	**46.8**
Additions	–	0.1	**0.1**
Disposals	–	(0.2)	**(0.2)**
Balance at 31st March 2012	11.1	35.6	**46.7**
Accumulated depreciation			
Balance at 1st April 2011	0.2	34.3	**34.5**
Charge for the year	0.2	0.3	**0.5**
Disposals	–	(0.2)	**(0.2)**
Balance at 31st March 2012	0.4	34.4	**34.8**
Net book value			
Balance at 31st March 2012	10.7	1.2	**11.9**

16. Subsidiaries

	Company 2013 HK$Million	2012 HK$Million
Unlisted shares, at cost	**2,349.2**	2,349.2

The amount due from a subsidiary is unsecured and interest free, and has no fixed terms of repayment.

Particulars of subsidiaries are shown in note 35 to the financial statements.

17. Associates

	Group 2013 HK$Million	2012 HK$Million
At the beginning of the year	**72.5**	67.0
Share of results of associates		
– profit before income tax	**165.2**	151.8
– income tax expense	**(26.9)**	(24.9)
Dividends	**(125.6)**	(121.4)
At the end of the year	**85.2**	72.5

The amounts due from associates are unsecured and interest free, and have no fixed terms of repayment except for an amount due from an associate of HK$24.6 million (2012: HK$24.6 million) which bears interest at 0.8% (2012: 0.8%) above the Hong Kong Interbank Offered Rate and is repayable on 31st July 2014. As at 31st March 2012, such amount due from an associate was repayable on 31st July 2012. The carrying amounts of the amounts due from associates approximate their fair value.

17. Associates (continued)

Share of results and financial positions of the associates, all of which are unlisted, are as follows:

	Group 2013 HK$Million	Group 2012 HK$Million
Assets		
Non-current assets	**159.5**	175.2
Current assets	**87.0**	86.0
	246.5	261.2
Liabilities		
Non-current liabilities	**71.1**	120.5
Current liabilities	**90.2**	68.2
	161.3	188.7
Net assets	**85.2**	72.5
Income	**353.7**	330.4
Expenses	**(188.5)**	(178.6)
	165.2	151.8
Income tax expense	**(26.9)**	(24.9)
Share of results	**138.3**	126.9

Other particulars of the associates are shown in note 35 to the financial statements.

18. Available-for-sale Financial Assets

	Group 2013 HK$Million	Group 2012 HK$Million
At the beginning of the year	**103.3**	100.9
Additions	**8.3**	13.2
Distributions	**(14.0)**	(27.5)
Fair value gains recognised in other comprehensive income *(note 27)*	**16.5**	16.7
At the end of the year	**114.1**	103.3

The group's available-for-sale financial assets are unquoted and denominated in US dollars.

19. Mortgage Loans Receivable

Mortgage loans receivable represent the second mortgage loans granted to the purchasers of certain properties developed by the group and are secured by the properties.

The mortgage loans receivable are denominated in Hong Kong dollars and carry interest at 1% over the Hong Kong dollar prime rate with interest free periods of 18 months to 3 years from the respective dates when the mortgage loans were drawn. Repayments will commence after the expiry of the interest free period and will be by instalments over a period of 10 years to 23 years thereafter. Amounts due within 12 months are included within current assets.

According to the group's credit terms, mortgage loans receivable that are less than three months past due are not considered impaired. As at 31st March 2013, the mortgage loans receivable of HK$1.3 million (2012: HK$2.2 million) were fully performing.

As at 31st March 2013, no impairment loss provision (2012: Nil) was made on the mortgage loans receivable of the group.

The carrying amounts of mortgage loans receivable approximate their fair value.

20. Properties for Sale

As at 31st March 2013, properties for sale amounting to HK$42.8 million (2012: HK$183.1 million) were pledged as security for bank loan facilities granted to the group (note 28).

21. Properties under Development

As at 31st March 2013, properties under development amounting to HK$192.8 million (2012: HK$190.1 million) were pledged as security for bank loan facilities granted to the group (note 28).

22. Debtors, Deposits and Prepayments

	Group	
	2013	2012
	HK$Million	*HK$Million*
Trade debtors, aged		
0-3 months	**96.1**	221.7
Over 3 months	**–**	0.5
	96.1	222.2
Deposits and prepayments	**6.0**	8.4
	102.1	230.6

Debtors, deposits and prepayments are mainly denominated in Hong Kong dollars.

Credit terms given to customers vary and generally range from 3 to 6 months.

As at 31st March 2013, trade debtors of HK$93.0 million (2012: HK$218.1 million) were fully performing.

As at 31st March 2013, no trade debtor was impaired (2012: Nil). Trade debtors of HK$3.1 million (2012: HK$4.1 million) were past due but not considered to be impaired; these were aged within 150 days (2012: 150 days). These relate to debtors with good repayment history and no recent history of default, and the majority are covered by rental deposits received by the group.

23. Bank Balances and Cash

The carrying amounts of bank balances and cash are denominated in the following currencies:

	Group		Company	
	2013	2012	**2013**	2012
	HK$Million	*HK$Million*	***HK$Million***	*HK$Million*
Hong Kong dollars	**2,154.7**	2,997.4	**4.1**	3.7
US dollars	**18.5**	30.8	**–**	–
	2,173.2	3,028.2	**4.1**	3.7

Pursuant to various management agreements with property management funds, the group has a restricted bank balances of approximately HK$48.2 million as at 31st March 2013 (2012: HK$46.2 million) held in specific bank accounts on behalf of the management funds as a property manager.

24. Creditors, Deposits and Accruals

	Group		Company	
	2013	2012	**2013**	2012
	HK$Million	*HK$Million*	***HK$Million***	*HK$Million*
Creditors, aged				
0-3 months	**0.3**	1.1	**–**	–
Over 3 months	**–**	0.9	**–**	–
	0.3	2.0	**–**	–
Deposits and accruals	**85.7**	86.7	**5.9**	5.7
	86.0	88.7	**5.9**	5.7

The creditors and deposits are mainly denominated in Hong Kong dollars.

25. Borrowings

	Group	
	2013	2012
	HK$Million	*HK$Million*
Current		
Bank loans		
– unsecured	**31.8**	33.4
– secured *(note 28)*	**81.2**	85.4
Total borrowings	**113.0**	118.8

The group's borrowings are all subject to interest-rate changes and contractual repricing within 6 months from year end date (2012: 6 months).

The carrying amounts of borrowings approximate their fair value.

The borrowings of HK$113.0 million (2012: HK$118.8 million) are denominated in US dollars and the effective interest rate of borrowings at the balance sheet date was 3.7% (2012: 3.8%) per annum.

26. Share Capital

	2013 HK$Million	2012 HK$Million
Authorised:		
1,000,000,000 (2012: 1,000,000,000) ordinary shares of HK$0.1 each	**100.0**	100.0
Issued and fully paid:		
617,531,425 (2012: 617,531,425) ordinary shares of HK$0.1 each	**61.7**	61.7

27. Reserves

	Revaluation reserve *HK$Million*	Exchange fluctuation reserve *HK$Million*	Retained profits *HK$Million*	Contributed surplus *HK$Million*	**Total** ***HK$Million***
Group					
At 1st April 2012	35.0	0.4	4,857.5	348.0	**5,240.9**
Profit for the year	–	–	565.7	–	**565.7**
Fair value gains on available-for-sale financial assets	16.5	–	–	–	**16.5**
2012 final dividend paid	–	–	(117.3)	–	**(117.3)**
2013 interim dividend paid	–	–	(67.9)	–	**(67.9)**
At 31st March 2013	51.5	0.4	5,238.0	348.0	**5,637.9**
Representing:					
2013 final dividend proposed					**117.3**
Reserves at 31st March 2013					**5,520.6**
					5,637.9
Company					
At 1st April 2012	–	–	839.0	1,943.3	**2,782.3**
Profit for the year	–	–	190.3	–	**190.3**
2012 final dividend paid	–	–	(117.3)	–	**(117.3)**
2013 interim dividend paid	–	–	(67.9)	–	**(67.9)**
At 31st March 2013	–	–	844.1	1,943.3	**2,787.4**
Representing:					
2013 final dividend proposed					**117.3**
Reserves at 31st March 2013					**2,670.1**
					2,787.4

The contributed surplus arose upon the group's restructuring in prior years, and is available for distribution. The distributable reserves of the company at 31st March 2013 amounted to HK$2,787.4 million (2012: HK$2,782.3 million).

27. Reserves (continued)

	Revaluation reserve *HK$Million*	Exchange fluctuation reserve *HK$Million*	Retained profits *HK$Million*	Contributed surplus *HK$Million*	**Total** ***HK$Million***
Group					
At 1st April 2011	16.7	0.6	4,304.8	348.0	**4,670.1**
Profit for the year	–	–	737.9	–	**737.9**
Fair value gains on available-for-sale financial assets	16.7	–	–	–	**16.7**
Impairment losses on available-for-sale financial assets transferred to consolidated profit and loss account	1.6	–	–	–	**1.6**
Exchange differences	–	(0.2)	–	–	**(0.2)**
2011 final dividend paid	–	–	(117.3)	–	**(117.3)**
2012 interim dividend paid	–	–	(67.9)	–	**(67.9)**
At 31st March 2012	35.0	0.4	4,857.5	348.0	**5,240.9**
Representing:					
2012 final dividend proposed					**117.3**
Reserves at 31st March 2012					**5,123.6**
					5,240.9
Company					
At 1st April 2011	–	–	833.8	1,943.3	**2,777.1**
Profit for the year	–	–	190.4	–	**190.4**
2011 final dividend paid	–	–	(117.3)	–	**(117.3)**
2012 interim dividend paid	–	–	(67.9)	–	**(67.9)**
At 31st March 2012	–	–	839.0	1,943.3	**2,782.3**
Representing:					
2012 final dividend proposed					**117.3**
Reserves at 31st March 2012					**2,665.0**
					2,782.3

28. Pledge of Assets

Certain properties for sale and properties under development of the group with carrying values of HK$235.6 million (2012: HK$373.2 million) have been pledged to banks as security for facilities granted to the extent of HK$121.3 million (2012: HK$155.6 million) against which HK$81.2 million (2012: HK$85.4 million) has been utilised at the balance sheet date.

29. Commitments

	Group	
	2013	2012
	HK$Million	*HK$Million*
Capital commitment in respect of available-for-sale financial assets	**22.5**	32.1

30. Lease Commitments

The group had future aggregate minimum lease payments under non-cancellable operating leases in respect of properties as follows:

	Group	
	2013	2012
	HK$Million	*HK$Million*
Not later than one year	**4.5**	9.8
Later than one year and not later than five years	**1.0**	5.5
	5.5	15.3

31. Future Operating Lease Receivables

The group had future minimum lease receivables under non-cancellable operating leases in respect of properties as follows:

	Group	
	2013	2012
	HK$Million	*HK$Million*
Not later than one year	**27.0**	63.7
Later than one year and not later than five years	**6.5**	30.3
	33.5	94.0

32. Financial Guarantees

	Company 2013 HK$Million	2012 HK$Million
Guarantees for credit facilities drawn down by subsidiaries	**113.0**	118.8

33. Consolidated Cash Flow Statement

Reconciliation of profit before income tax to cash (used in)/generated from operations:

	2013 HK$Million	2012 HK$Million
Profit before income tax	**649.2**	842.3
Share of results of associates, net of tax	**(138.3)**	(126.9)
Depreciation	**0.5**	0.5
Impairment losses on available-for-sale financial assets	**–**	1.6
Interest expenses	**4.3**	4.6
Interest income	**(20.2)**	(38.4)
Operating profit before working capital changes	**495.5**	683.7
Decrease in properties for sale	**361.4**	579.6
Increase in properties under development	**(1,685.0)**	(2.7)
Decrease/(increase) in debtors, deposits and prepayments	**126.7**	(56.6)
Decrease in creditors, deposits and accruals	**(2.7)**	(25.3)
Cash (used in)/generated from operations	**(704.1)**	1,178.7

34. Related Party Transactions

During the year, in addition to the balances with the associates as disclosed in note 17 and the directors' emoluments disclosed in note 9(a), the following transactions were carried out with related parties in the normal course of its business:

	2013 HK$Million	2012 HK$Million
Interest income received from an associate *(note 17)*	**0.3**	0.2
Key management compensation		
– Salaries and other employee benefits *(note 9b)*	**2.9**	2.8

35. Particulars of Subsidiaries and Associates

Subsidiaries	Principal Activities	Issued ordinary share capital held by Group %	by Company %	Particulars of issued shares Number of shares	Par value
Tai Cheung (B.V.I.) Company Limited	Investment holding	100	100	100	US$1
Tai Cheung Properties Limited	Investment holding and property development	100	–	386,633,750	HK$1
Acmax Enterprises Limited	Property development	100	–	2	HK$1
Acura Enterprises Limited	Property development	100	–	2	HK$1
Antier Investment Company Limited	Property development	100	–	3	HK$100
Avanzado Technology Park, Inc.	Property development	100	–	100	US$10
Cosmopolitan Estates Limited	Property holding	100	–	1,000,000	HK$1
Denmore Limited	Investment holding	100	–	2	HK$1
Dumex Limited	Investment holding	100	–	30,000	HK$100
Edward Contractors, Inc.	Contracting services	100	–	10,000	US$1
Edward Properties LLC	Property management	100	–	–	–
Enrich Investments Limited	Property development	100	–	2	HK$1
French Valley Airport Center LLC	Property development	100	–	–	–
Jaco Limited	Property development	100	–	2	HK$1
Jumbo Realty Limited	Property development	100	–	3,600,000	HK$10
Junco (Nominees) Limited	Nominee company	100	–	2	HK$100
Lee May Investments Limited	Property development	100	–	12	HK$5
Maidstone Construction Company Limited	Construction	100	–	60,000	HK$10
South Land Enterprises Limited	Property development	100	–	2	HK$1
Sum Lung Investment Company Limited	Property development	100	–	100,000	HK$100
Tai Cheung Capital Limited	Investment holding	100	–	50,000	HK$100
Tai Cheung Construction Company Limited	Property development	100	–	2,500	HK$200
Tai Cheung Management Company Limited	Property management	100	–	45,000	HK$100
Tai Cheung Secretaries Limited	Corporate secretary	100	–	2	HK$1
Taico Properties, Inc.	Property development	100	–	1,000,000	US$1
Tareau International Company Limited	Investment holding	100	–	2	HK$1
Tatrine Development Company Limited	Property development	100	–	2	HK$10
Turnhouse Limited	Property development	100	–	2	HK$1
Walsmith Corporation Limited	Investment holding	100	–	2	HK$1
Wang Yip Construction Company Limited	Construction	100	–	50,000	HK$100
Winfield Investments Limited	Property development	100	–	2	HK$1
Woodmont Investments Limited	Property development	100	–	2	HK$1
Y Lee Enterprises Limited	Property development	100	–	14,000,000	HK$1
Yescott International Limited	Investment holding	100	–	2	HK$1
Zebrine Investments Limited	Property development	100	–	2	HK$10

35. Particulars of Subsidiaries and Associates (continued)

Associates	Principal Activities	Issued ordinary share capital held by Group %	Issued ordinary share capital held by Company %
* Consolidated Hotels Limited	Hotel investment	35	–
* Macfull Limited	Property development	20	–
* Macfull Finance Limited	Investment holding	20	–
* Shepherd Investments Limited	Investment holding	48	–

All subsidiaries and associates are incorporated in Hong Kong except Avanzado Technology Park, Inc., Edward Contractors, Inc., Edward Properties LLC, French Valley Airport Center LLC and Taico Properties, Inc. which are incorporated in the United States; and Tai Cheung (B.V.I.) Company Limited which is incorporated in the British Virgin Islands. The principal country of operation is the same as the country of incorporation except for Tai Cheung (B.V.I.) Company Limited which operates internationally.

* Associates with 31st December year ends.

Independent Auditor's Report to the Shareholders of
Tai Cheung Holdings Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Tai Cheung Holdings Limited (the "company") and its subsidiaries (together, the "group") set out on pages 21 to 66 which comprise the consolidated and company balance sheets as at 31st March 2013, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report to the Shareholders of
Tai Cheung Holdings Limited (continued)
(incorporated in Bermuda with limited liability)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the company and of the group as at 31st March 2013, and of the profit and cash flows of the group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18th June 2013

The directors are of the opinion that a complete list of the properties held by the group will be of excessive length and therefore the following list contains only those properties which are material to the group as at 31st March 2013:–

(I) Properties held for development or sale

Location	Stage of completion	Expected date of completion	Type	Group's ownership	Approximate floor area attributable to the group
Metropole Square 2 On Yiu St., Sha Tin	Completed	N/A	I	100%	429,483 s.f.
Tuen Mun Parklane Square 2 Tuen Hi Road, Tuen Mun	Completed	N/A	C/P	100%	134,470 s.f.
33 Cape Road 33 Cape Road, Chung Hom Kok	Completed	N/A	R	100%	2,170 s.f.
3 Plunkett's Road 3 Plunkett's Road, The Peak	Completed	N/A	R	100%	19,443 s.f.
R.B.L. 1165 Repulse Bay	Foundation plans approved	2015	R	100%	42,000 s.f.
French Valley Airport Center California, U.S.A.	Planning stage	By phases from the end of 2015 to the end of 2018	I/C	100%	781,000 s.f.

(II) Hotel property

Location	Description	Group's ownership	Approximate floor area attributable to the group
Sheraton Hong Kong Hotel and Towers No. 20 Nathan Road, Tsimshatsui	Hotel and shopping mall	35%	208,796 s.f.

Note: I = Industrial R = Residential C = Commercial P = Public Carpark

Five Year Financial Summary

	2009 *HK$Million*	2010 *HK$Million*	2011 *HK$Million*	2012 *HK$Million*	**2013** ***HK$Million***
Consolidated Profit and Loss Account					
Revenue	365.4	563.4	1,460.9	1,381.9	**991.8**
Profit attributable to equity holders of the company	237.4	296.3	706.1	737.9	**565.7**
Dividends	142.0	166.7	185.2	185.2	**185.2**
Consolidated Balance Sheet					
Property, plant and equipment	1.0	1.5	12.3	11.9	**11.5**
Investment properties	134.3	148.2	–	–	**–**
Associates	96.1	60.9	67.0	72.5	**85.2**
Amount due from an associate	–	–	17.7	–	**24.6**
Available-for-sale financial assets	101.1	96.1	100.9	103.3	**114.1**
Mortgage loans receivable	6.2	4.7	2.8	2.1	**1.2**
Net current assets	3,694.4	3,872.9	4,531.1	5,112.8	**5,463.0**
Total assets less current liabilities	4,033.1	4,184.3	4,731.8	5,302.6	**5,699.6**
Deferred income tax liabilities	4.4	5.3	–	–	**–**
Net assets	4,028.7	4,179.0	4,731.8	5,302.6	**5,699.6**
Share capital	61.7	61.7	61.7	61.7	**61.7**
Reserves	3,880.6	4,012.4	4,552.8	5,123.6	**5,520.6**
Proposed final dividend	86.4	104.9	117.3	117.3	**117.3**
Total equity	4,028.7	4,179.0	4,731.8	5,302.6	**5,699.6**
Performance Statistics					
Earnings per share	$0.39	$0.48	$1.14	$1.19	**$0.92**
Dividends per share	$0.23	$0.27	$0.30	$0.30	**$0.30**
Dividend cover	1.7	1.8	3.8	4.0	**3.1**
Net assets per share	$6.52	$6.77	$7.66	$8.59	**$9.21**
Current ratio	18.6	16.8	15.1	18.6	**22.3**
Gearing	2.6%	3.0%	2.6%	2.2%	**2.0%**